

# Informa comments on Telefonica reorganisation

By [Dario Talmesio](#)

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LONDON, UK: The reorganisation of Telefonica represents the most important structural change since its acquisition of O2 and we see this as a much-needed combination of cost efficiencies, corporate alignment across Europe and a fight for inclusion in new growth areas.



It is clear that Telefonica needs a better corporate alignment in Europe and that includes Spain being part of an overall concerted European strategy - an area where it has so far lagged behind its peers.

Telefonica is now centralising procurement (Global Sourcing), which will enable it to start fully exploiting its massive scale in purchasing power - a decision and process that has taken too long given that Vodafone, its main competitor, has been doing it that way for some time. The fact that there is no bright future on the Spanish economic horizon might actually have prompted the quest for efficiencies. It is an imperative and, as they say, better late than never.

## A good decision

The decision to create Telefonica Digital is a good one but much will depend on how it will work with legacy business and to what extent Telefonica Digital is able to cascade innovation into the core business. Failing that, the risk is that all its eggs will be put in one basket. If Telefonica wants to play at pure OTT, it should remember that it is in the same playing field as the Internet giants - and it's a tough business. Although the decision is a good one, Telefonica needs to keep its core business in mind while implementing Internet-style business models.

Overall, we think that, while Telefonica has been good at reacting to structural changes in the telecoms markets, it has been a victim of its gigantic size and slow in adjusting its direction. A leaner future for the business will help it, but, beyond what it must do (European alignment and Global Sourcing), it is entering a very tough business that it is new to and where massive failures are as likely as massive gains.

Dario's bio is available on the Informa website - <http://blogs.informatandm.com/authors/dario-talmesio/>.

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